Universities Academic Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1987

Alberta
TREASURY

88-06190/

Universities Academic Pension Plan

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Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

June, 1988

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Universities Academic Pension Plan Act, being Chapter U-6.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Universities Academic Pension Plan for the fiscal year ended March 31, 1987.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

June, 1988

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Universities Academic Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Universities Academic Pension Plan for the fiscal year ended March 31, 1987 to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Universities Academic Pension Plan was established effective July 1, 1978 by the Universities Academic Pension Act, to provide a contributory pension scheme for members of the academic staff, including Presidents, of the Alberta Universities and the Banff Centre for Continuing Education.

The Universities Academic Pension Act was repealed on November 1, 1985 and replaced by the Universities Academic Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Universities Academic Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Universities Academic Pension Plan is a contributory defined benefit plan under which employee contributions are six per cent of salary and employer contributions seven per cent. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Universities Academic Pension Plan.

Members may retire at any time after age 55 without reduction in the amount of pension if 10 years of pensionable service has been accumulated or after age 65 with five years of pensionable service. The normal pensionable age is 65, however, there is no mandatory retirement age. Pension benefits are based on two per cent of the highest average pensionable earnings for five consecutive years times the number of years of pensionable service. If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a 15 year guarantee period. Single members may elect a life pension, choosing a 5, 10 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least 10 years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit. The spouse of a member with less than 10 years of pensionable service must also accept a lump sum benefit.

Review of Operations

The Universities Academic Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review the concept of annual reporting was extended to encompass all employers under the Plan. Annual reporting by employers offers significant advantages over monthly reporting as it reduces the amount and frequency of data required to be submitted to the Pension Administration.

A new employer manual with improved content and format was developed to assist employers in carrying out their responsibilities.

Annual statements were produced for all participants, to provide information and verify the current status of information on file. The statements were forwarded to employers for distribution.

During the year, Payroll and Pensions continued with further automation of pension plan activities. Retirement processing, including the provision of member estimates, was partly computerized in February 1987. Such computerization of the retirement function has improved the accuracy of pension calculations and decreased the time required in supplying information to retirees.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1985 estimated the accrued liability of the Universities Academic Pension Plan to be $780,944,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 24.5 per cent.

Participation

At March 31, 1987, there were a total of five employers participating in the Universities Academic Pension Plan, 4266 active contributors and 173 employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A listing of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	TRANSFERS TO UNIVERSITIES ACADEMIC PENSION PLAN	TRANSFERS FROM UNIVERSITIES ACADEMIC PENSION PLAN
	$	$
Public Service Pension Plan	834,954	69,423
Local Authorities Pension Plan	72,098	27,549
Public Service Management Pension Plan	59,135	55,500
	966,187	152,472

Reciprocal Agreements

At March 31, 1987, the Universities Academic Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Local Authorities Pension Plan
- Public Service Management Pension Plan
- Public Service Pension Plan
- Alberta Teachers' Retirement Fund

Outside Alberta

- Brock University
- Government of Canada
- Dalhousie College and University
- University of Guelph
- Manitoba Teachers' Retirement Allowance Fund Board
- University of Manitoba
- McGill University
- University of Montreal
- Government of New Brunswick
- Ontario Institute for Studies in Education
- University of Ottawa
- University of Prince Edward Island
- University of Regina
- Saint Paul University
- Saskatchewan Teachers' Superannuation Commission
- University of Saskatchewan
- University of Sherbrooke
- University of Toronto
- University of Waterloo
- Wilfrid Laurier University
- Ontario Council of Regents for the Colleges of Applied Arts and Technology

Reciprocal Transfers

During the year ended March 31, 1987 the following number and value of reciprocal transfers were undertaken:

	TRANSFERS TO UNIVERSITIES ACADEMIC PENSION PLAN		TRANSFERS FROM UNIVERSITIES ACADEMIC PENSION PLAN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
		$		$
Alberta Teachers' Retirement Fund	3	64,788		
University of Saskatchewan	2	97,017		
McGill University	2	25,711		
University of Guelph	2	18,135	2	194,359
Other	3	79,642	6	143,640
	12	285,293	8	337,999

Note: The amounts of reciprocal transfers to the Universities Academic Pension Plan are included under Contributions on page five.

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1987.

	Participants At March 31, 1987	Contributions Received		
		Employee $	Employer $	Total $
University of Alberta	2,288	7,872,190	8,888,216	16,760,406
University of Calgary	1,485	5,474,150	5,536,720	11,010,870
University of Lethbridge	298	1,058,918	967,735	2,026,653
Athabasca University	141	375,759	400,707	776,466
Banff Centre for Continuing Education	54	148,874	171,478	320,352
Accounts held on Deposit	123	13,019		13,019
Accounts held on Deposit for Deferred Pensions	50	23,130		23,130
	4,439	14,966,040	15,964,856	30,930,896

Refunds

Under the terms of the Universities Academic Pension Plan, a member who terminates has the option of transferring both the employee and employer contributions and interest into a registered pension or retirement savings plan. During the year there were 93 such transfers totalling $2,051,507. This amount is shown in the Statement of Receipts and Payments under Other Transfers.

In addition, 88 refunds of excess contributions totalling $30,303 were made to members and employers and eight refunds of member contributions and interest totalling $35,450 were made to members terminating employment.

Death in Service Benefits

In the current year four members died while in service. Three of the surviving spouses were granted spousal pensions and one lump sum benefit was paid.

Information and Counselling Service

Payroll and Pensions presented five information seminars to employees during the year.

Several information brochures on special interest topics were prepared for participants and a regular information bulletin, Pension News, was prepared for employers.

Pension Benefits

During the year ended March 31, 1987 pension benefits paid totalled $12,119,515, an increase of $2,406,353 (24.8 per cent) over the previous year. A total of 79 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1987	1986
Normal Retirement	24	20
Early Retirement	51 (35)	64 (36)
Partial or Total Disability	1	
Death-in-Service (Spousal)	3 (3)	6 (1)
	79 (38)	90 (37)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or Federal Old Age Security (OAS) payments.

Of the above retirements, six were in respect of deferred retirements from previous years (two normal and four early).

Pension options selected by members are as follows:

Member Pensions	At March 31, 1986	New Retire-ments	Benefi-ciaries	Deaths	At March 31, 1987
Normal (guaranteed 15 years)	82	11			93
Single Life	55	10		(2)	63
Guaranteed 5 years	21		1	(1)	21
Guaranteed 10 years	31	4		(1)	34
Guaranteed 20 years	44	2			46
Joint Life non-reduced	115	27			142
Joint Life Reduced one third	72	22	1	(1)	94
Joint Life Reduced one half	20				20
Spousal Pensions					
Single Life	19				19
Guaranteed 5 years	1				1
Guaranteed 10 years	11				11
Guaranteed 15 years	13				13
Guaranteed 20 years	15	3	—	—	18
Total Pensions	499	79	2	(5)	575
Pensions co-ordinated with CPP and/or OAS	136	38	—	(1)	173

Note: The allocation of pension options at March 31, 1986 has been adjusted to correct previously reported figures.

The schedule below categorizes the pensions in effect at March 31, 1987 by dollar value of monthly pension.

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 0 – 499	15	2	17
500 – 999	89	26	115
1,000 – 1,499	102	17	119
1,500 – 1,999	84	10	94
2,000 – 2,499	76	3	79
2,500 – 2,999	69	4	73
3,000 – 3,499	41	0	41
3,500 – 3,999	21	0	21
4,000 – 4,499	11	0	11
4,500 and over	5	0	5
	513	62	575

Effective January 1, 1987 a cost of living adjustment of 2.7 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the year.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1987

	1987	1986
	$	$
RECEIPTS:		
Employee contributions	14,966,040	14,191,918
Employer contributions	15,964,856	14,401,073
Interest on overdue receivables	66	1,341
	30,930,962	28,594,332
PAYMENTS:		
BENEFITS		
Pensions to retired members	11,105,009	8,600,933
Pensions to surviving spouses	918,614	854,483
Lump Sums to beneficiaries of deceased pensioners		32,862
Lump Sums to beneficiaries of deceased employees	95,892	224,884
	12,119,515	9,713,162
WITHDRAWALS		
Refunds of contributions and interest to terminated members	35,450	4,748
Reciprocal agreement transfers	337,999	250,494
Other transfers	2,051,507	2,636,014
Refunds of excess contributions	30,303	71,751
	2,455,259	2,963,007
Total payments	14,574,774	12,676,169
Excess of receipts over payments	16,356,188	15,918,163

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years:

(000's)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts over Payments
	Member	Employer	Total	Benefits	With-drawals	Total	
	$	$	$	$	$	$	$
1986-87	14,966	15,965	30,931	12,120	2,455	14,575	16,356
1985-86	14,192	14,402	28,594	9,713	2,963	12,676	15,918
1984-85	13,650	13,813	27,463	7,556	2,255	9,811	17,652
1983-84	13,764	13,510	27,274	5,939	1,477	7,416	19,858
1982-83	13,190	12,428	25,618	4,685	1,851	6,536	19,082